

By William T. Coulter for The Washington Post

Vanuatu: Merchant-Ship Tax Haven

By Thomas W. Lippman
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Problem: a small, obscure country with few natural resources and no industry. **Solution,** recently adopted by the Republic of Vanuatu: open-registry shipping, better known as flag-of-convenience registry, an invitation to the world's merchant fleets to enjoy the tax benefits and benign regulations of Vanuatu's nationality.

In a direct challenge to Liberia and Panama, the giants of the flag-of-convenience trade, Vanuatu has opened its shipping registry to foreign-owned vessels. For a modest fee, the ships can fly the flag of Vanuatu and call the capital, Port Vila, their home, regardless of who owns or runs them or the nationality of their crews.

According to Vincent K. Hubbard, Vanuatu's representative in New York, "They are primarily interested in income, and also in trying to make their country better known." Hubbard, an American, holds the title of deputy commissioner of maritime affairs of the Republic of Vanuatu and is authorized to issue shipping registry papers at his New York office.

It is not necessary for registrants to go to Vanuatu, or even to know where it is. Until it became independent just over a year ago, Vanuatu was known as the

New Hebrides. It consists of a chain of small islands in the South Pacific about 1,100 miles north-east of Australia. The population is about 110,000, and the total land area is 5,700 square miles, about the size of Connecticut.

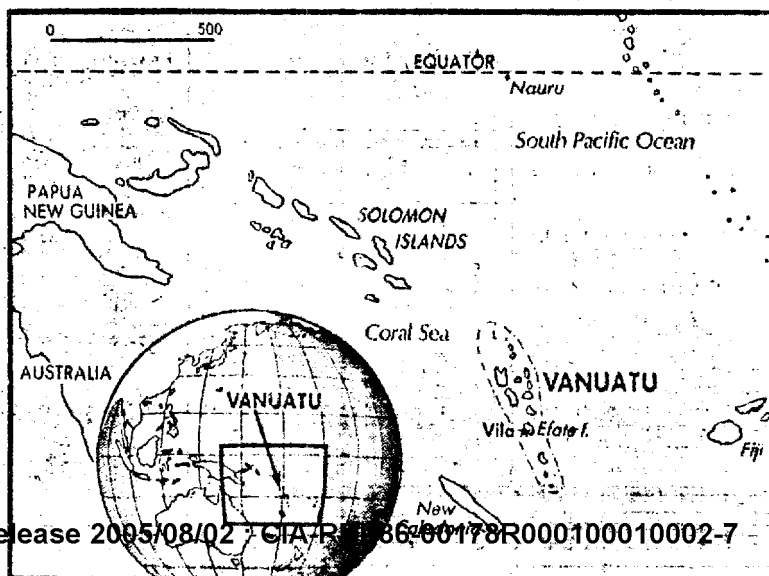
"Most people don't know how to pronounce it, and a lot don't know where it is," Hubbard said. "We still have a credibility problem. It sounds like it's in Africa or someplace like that. What we are hoping to sell, trying to get across, is that Vanuatu is a parliamentary democracy and very stable."

His tone was jocular, but flag-

of-convenience registry is no joke in international maritime commerce. Statistics compiled by Lloyd's Shipping Economist, the U.S. Maritime Administration and the Transportation Institute show that well over one-fourth of the 25,000 freighters and tankers in the world are flying flags of convenience. Others would, too, if not for laws in many countries requiring that certain percentages of their trade be carried in ships of home registry.

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See VANUATU, D12, Col. 1



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S. Pacific Republic Competes For Merchant-Ship Registry

VANUATU, From D8

States, Hong Kong, Greece and Japan, flag-of-convenience ships are registered in Liberia, Panama, Singapore and a few other tolerant nations, thus escaping the labor laws, safety regulations and tax requirements of their home countries.

Issues of safety and ecology have provoked occasional international efforts to reduce the open-registry traffic. The worst oil spills in history — the wreck of the Torrey Canyon in the English Channel in 1967 and the sinking of the Argo Merchant off Nantucket in 1976 — involved tankers of Liberian registry. Members of the U.N. Conference on Trade and Development have criticized third-country registry as "highly deleterious to the fleets of developing countries."

Yet Hubbard predicted that the practice will expand because the temptation to raise revenue at virtually no cost is too hard to resist. "There is opposition to third-country registration, but I think you are going to see a number of other countries going into the business," he said. "What they say in public is not what is really going to happen."

The Vanuatu parliament passed a shipping act encouraging open registry last March. Technically, the operation is run by a private organization called Investors Trust Ltd. under contract to the government, Hubbard said. The law requires that ships flying the Vanuatu flag be owned by Vanuatu corporations, but Hubbard said it is easy to incorporate there and, in any case, the requirement can be waived.

Hubbard said that after the military coup in Liberia and the death of Panamanian strongman Omar Torrijos, Vanuatu is appealing to ship owners who "fear that some political fruitcake will try to nationalize the ships that fly his flag."

He said only two ships have taken out Vanuatu registry so far. One was a small freighter of less than 500 tons, formerly under the Dutch flag, and the other a dry-cargo vessel formerly registered in Singapore. Each ship pays the Vanuatu government 25 cents per net ton per year, plus a registration fee that varies with the size of the vessel. Hubbard said the rate is competitive, "a little less than Liberia, a little more than Singapore."

Philadelphia Exchange

Stocks	Bid	Ask
U.S. Air.....	11 3/4	12 1/8
B.F. Saul.....	6 1/2	7
Ball Gas & Elec Pfd C.....	24	28
Ball Gas & Elec Pfd D.....	34	38
Ball Gas & Elec Pfd E.....	47	52
Ball Gas & Elec Pfd F.....	64	85 1/2
Ball Gas & Elec Pfd G.....	53	57
Ball Gas & Elec Pfd H.....	48	52
Ball Gas & Elec Pfd I.....	59 1/4	63 1/4
Ball Gas & Elec Pfd J.....	—	—
Consolidated Oil Gas.....	1 1/2	1 3/4
DC Trading & Development.....	11	15
Fin Am A.....	11	15
Fin Am B.....	7	7 1/2
1st Va Bankshares.....	16 1/2	17 1/2
Giant Food.....	14	15
Hank's Seafood.....	33	33 1/2
Marriott Corp.....	15	15 1/4
Peoples Drug.....	13	14 1/4
Potomac Elec.....	—	—
Potomac Elec \$2.28 Pfd.....	—	—
Potomac Elec \$2.44 Pfd.....	—	—
Potomac Elec \$2.46 Pfd.....	—	—
Potomac Elec \$3.82 Pfd.....	39 1/2	41 1/4
Potomac Elec Conv Pfd.....	70	71 1/4
Reilance Wfs.....	9 1/2	10
Riv Realty.....	4	4 1/4
Washington Corp.....	30	31 1/4
Wash Gas Light.....	—	—
Wash Gas Light \$4.25 Pfd.....	—	—
Wash Gas Light \$4.36 Pfd.....	—	—
Wash Gas Light \$4.60 Pfd.....	—	—
Wash Gas Light \$4.80 Pfd.....	—	—

